



Sent to Council:

Distributed on:
AUG - 2 2011
City Manager's Office

Memorandum

**TO: HONORABLE MAYOR
AND CITY COUNCIL**

FROM: Leanna Bieganski

SUBJECT: Early Council Packet

DATE: August 2, 2011

Approved

Date

8/2/11

EARLY DISTRIBUTION COUNCIL PACKET FOR AUGUST 16, 2011

Please find attached the Early Distribution Council Packet for the August 16, 2011, Council Meeting.

6.x Agreement with VTA for Airport Bus Service.

Recommendation: Approve the Seventh Amendment to the Agreement for Airport Bus Service with the Santa Clara County Valley Transportation Authority (VTA), modifying compensation payable by the City to VTA to a flat annual cost of \$625,000 per year effective July 1, 2011, and extending the term of the Agreement through June 30, 2014, subject to appropriation of funds for each fiscal year. CEQA: Resolution Nos. 67380 and 71451, File No. PP11-053. (Airport)

This item will also be included in the Council Agenda Packet with an item number.

LEANNA BIEGANSKI
Agenda Services Manager

Memorandum

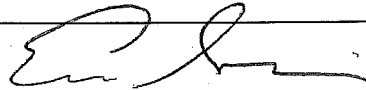
TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: William F. Sherry
Director of Aviation

SUBJECT: SEE BELOW

DATE: July 25, 2011

Approved



Date

8/1/11

SUBJECT: SEVENTH AMENDMENT TO AGREEMENT FOR AIRPORT BUS SERVICE BETWEEN THE CITY OF SAN JOSE AND THE SANTA CLARA COUNTY VALLEY TRANSPORTATION AUTHORITY.

RECOMMENDATION:

Approve the Seventh Amendment to the Agreement for Airport Bus Service with the Santa Clara County Valley Transportation Authority (VTA), modifying compensation payable by the City to VTA to a flat annual cost of \$625,000 per year effective July 1, 2011, and extending the term of the Agreement through June 30, 2014, subject to appropriation of funds for each fiscal year.

OUTCOME

If the Seventh Amendment is approved, the Airport and VTA will continue to provide free bus service, The San Jose Airport Flyer, linking the Airport with the Metro Light Rail Station and the Santa Clara Caltrain Station, while achieving cost savings outlined in the Airport Competitiveness Strategic Plan.

BACKGROUND

On March 3, 1998, Council approved an Agreement between the City and VTA, to modify and expand public transit services at the San Jose International Airport, for an initial term of thirteen months. Under terms of the Agreement, VTA provided expanded bus service linking the Airport with the Metro Light Rail Station and the Santa Clara Caltrain Station. The Agreement provides for the City and VTA to evenly split the cost of the Airport Flyer service, and the City's share of the annual Airport Flyer cost is currently \$1,107,371. The service has been a key element of the Airport's traffic mitigation program required by the Airport Master Plan Environmental Impact Report (EIR).

The Agreement was subsequently amended five times to extend the term through June 30, 2007.

On June 19, 2007, Council approved the Sixth Amendment, extending the term from July 1, 2007 to June 30, 2010, with the option for the City to extend the Agreement for up to two (2) additional two-year terms, with first year compensation to VTA in an amount not to exceed \$1,400,000 and

with compensation for subsequent years subject to adjustment based upon the Consumer Price Index, and subject to appropriation of funds for each year. On April 27, 2010, the City exercised the first option to extend the term of the Agreement through June 30, 2012.

On May 25, 2010, the Council approved the Airport Competitiveness Strategic Plan that provided a policy framework for multiple initiatives to ensure that the Airport will continue to be a cost-competitive and attractive facility to retain and recruit air service and airlines to serve Silicon Valley. As part of this strategy, the Council also approved the Airport's proposal for the reduction or restructuring of the VTA Flyer service. Airport staff was directed to assess service options that would provide a substantial reduction in cost to the Airport.

ANALYSIS

The bus service program was implemented as a part of the Airport's Transportation System Management Program required by the Airport Master Plan EIR. It represents one of the required cooperative efforts calling for transit improvements between the Airport and the existing Light Rail and CalTrain transit services. This bus service is not only patronized by the public and Airport customers, but is also used by City and tenant employees working at the Airport.

Staff provided the VTA with several potential options for reducing or restructuring bus service and attaining a maximum Airport expense of \$625,000 per year or 50% of the total expense, which ever is lower, while continuing to provide free transit service for passengers between the Airport, Santa Clara Caltrain Station, and Light Rail. After careful consideration, the VTA proposed to continue the VTA service with only slight scheduling reductions and restructuring compensation to be a flat cost to the City of \$625,000 per year. Staff appreciates and acknowledges the steps VTA has taken to undertake a higher level of the expense load for the system with limited reductions in service levels to our passengers.

Pursuant to the terms of the Seventh Amendment to the Agreement, effective July 1, 2011, the City will pay VTA \$625,000 per year payable in equal payments \$156,250 per quarter. The Amendment also exercises the final two-year option in the agreement and continues the provision for an annual adjustment to the compensation amount paid by the City to VTA in subsequent years, based upon year-to-year changes in the consumer price index (CPI) and subject to a 3% maximum increase per year. The Agreement also provides that each year's compensation is subject to appropriation of funds by the City and that the Agreement will terminate without penalty if the City does not appropriate the funds.

Ridership for the program has been documented as follows:

<u>FY Year</u>	<u>Ridership Riders/month</u>	<u>%Increase</u>
2000	43,995	NA
2001	45,491	3%
2002	49,435	8%
2003	35,705 *	(28%)
2004	26,943	(25%)

July 25, 2011

Subject: Seventh Amendment to Agreement Between City and VTA

Page 3

2005	26,541	(2%)
2006	36,113 **	36%
2007	37,774	5%
2008	35,774	(5%)
2009	32,883	(8%)
2010	32,161	(2%)

*In July 2002, VTA introduced a reduced schedule due to the decreased traffic levels caused by the downturn in travel in 2001.

** In 2006, there was an increase in ridership resulting from a significant increase in light rail ridership and VTA's improved passenger counting capabilities using electronic passenger counters in the buses.

PUBLIC OUTREACH/INTEREST

✓ **Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater. (Required: Website Posting)

☐ **Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. (Required: E-mail and Website Posting)

☐ **Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. (Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)

This item meets criteria 1. This memorandum will be posted on the City's Internet website for the August 16, 2011, Council agenda.

COORDINATION

This memorandum has been coordinated the City Attorney's Office and the City Manager's Budget Office.

FISCAL/POLICY ALIGNMENT

This Council item is consistent with Council approved Budget Strategy Memo, General Principle #2, "We must focus on protecting our vital core city services."

COST SUMMARY/IMPLICATIONS

1. AMOUNT OF RECOMMENDATION/COST OF PROJECT:

Current Agreement Amount:

\$15,537,429

HONORABLE MAYOR AND CITY COUNCIL

July 25, 2011

Subject: Seventh Amendment to Agreement Between City and VTA

Page 4

Amendment Amount:	\$ 1,932,813 (Total 3 years)
Total Maximum Compensation	\$17,412,429

2. COST ELEMENTS OF AGREEMENT:

Quarterly Compensation Rate: \$156,250 per quarter first year.

3. SOURCE OF FUNDING: Airport Maintenance and Operating Fund (#523)

4. FISCAL IMPACT: Cost for the term of the amendment is funded by existing appropriations and results in annual savings of \$482,400.

BUDGET REFERENCE

Fund #	Appn #	Appn. Name	RC #	Total Appn.	Amt. for Contract	2011-2012 Proposed Operating Budget Page	Last Budget Action (Date, Ord. No.)*
523	0802	Airport Non-Personal/ Equipment	401140	\$38,555,940	Not to exceed \$625,000 first year	XI-3	6/21/11 Ord # 28928

CEQA

Resolution Nos. 67380 and 71451, File No. PP11-053.

/s/ Kimberly B. Aguirre for
William F. Sherry, A.A.E.
Director of Aviation

Please direct questions to William Sherry, Director of Aviation, at (408) 392-3610.